

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 2nd Meeting of the 2004 Calendar Year

December 9, 2004

The 2nd meeting of the Capital Planning Advisory Board (CPAB) of the 2004 calendar year was held on Thursday, December 9, 2004, at 1:00 PM, in Room 113 of the Capitol Annex. Representative Perry Clark, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Perry Clark, Co-Chair; Senator David Boswell; Representative Ron Crimm; Bradford Cowgill; James Deckard; Paul Gannoe; Bill Hintze; William May; Norma Northern; John Roach; Laurel True; Garlan Vanhook; William Wehr; and Melinda Wheeler.

Guests Appearing Before the Board: Mike Inman, Commissioner, Commonwealth Office of Technology; Melinda Wheeler, Director, Administrative Office of the Courts; and Garlan Vanhook, General Manager for Facilities, Administrative Office of the Courts.

LRC Staff: Pat Ingram, Mary Lynn Collins, Nancy Osborne, and Debbie Rodgers.

Representative Clark welcomed Senator David Boswell as a new member of the Board. He also introduced Debbie Rodgers as the Board's new Committee Assistant.

Senator Westwood's motion to accept the minutes of the August 3, 2004 meeting was seconded by Mr. Cowgill and approved by voice vote.

Representative Clark said the Board meeting scheduled for October had been cancelled due to the Special Session of the General Assembly. He then noted that this meeting would officially begin the 2006-2012 capital planning process and asked CPAB Staff Administrator Pat Ingram to review the agency capital planning instructions being presented for approval today.

Ms. Ingram explained that the plans would be dealing with the six-year period beginning with the upcoming biennium (2006-08). The requirement to submit a six-year plan applies to all agencies in all three branches of government. Pursuant to statute, April 15 of odd numbered years is the due date for agencies to submit their plans to the Board,

and November 1 is the date by which the Board must submit its statewide Capital Improvements Plan to the heads of the three branches of government.

Relative to the process, Ms. Ingram said the instructions and software will be available in January, with training sessions also being held for agency planning personnel. After the plans are received in mid-April, CPAB staff will prepare a staff review and analysis of each for use by the Board in reviewing the plans. At this review, which is typically done at a two-day meeting in July, agency heads are given an opportunity to present their plans and respond to members questions. The statewide plan is then developed in a series of meetings prior to the November 1 due date.

Ms. Ingram then described the three sections of the agency submissions - background, plan, and ancillary records. She said the background section is to provide an understanding of the agency and a context for reviewing its capital needs. Information in this section addresses the agency's mission and programs, facilities management functions, physical plant characteristics, and the status of recently completed or ongoing projects. The plan section focuses on capital related needs and how the agency proposes to address them, and requires the reporting of information on proposed projects and anticipated space needs and space reductions. The final section, ancillary records, includes reporting requirements for only those agencies that meet specific criteria (e.g., proposed projects to be financed from agency bonds).

Ms. Ingram said the instructions as presented are essentially the same ones that were used for the plans submitted in 2003. Two changes are: 1) the required listing of minor projects (costing between \$50,000 and \$400,000 each) has been discontinued and replaced by the submission of a single maintenance pool project in each biennium, and 2) the submission levels have been updated to reflect recent reorganizations of state government. She added that one area of particular concern is the estimated budgets for previously submitted projects since in the past year there have been significant increases in the costs of construction materials. At a later date, CPAB staff hopes to give the agencies guidance on revising the existing project budgets to address these increases.

Senator Westwood made a motion to approve the draft instructions as presented. His motion was seconded by Representative Crimm, and passed unanimously by roll call vote.

Noting that it is has been a substantial time since the thresholds requiring the submission of equipment (\$100,000 or more) and construction projects (\$400,000 or more) through the capital planning and budgeting processes have been changed, Representative Clark suggested that the Board may want to consider recommending an increase in these amounts.

Representative Clark next welcomed Commonwealth Office of Technology (COT) Commissioner Mike Inman to discuss various information technology (IT) issues. He said the Board has always had a good working relationship with the Office of Technology and looks forward to continuing that relationship.

Commissioner Inman thanked the co-chairs for the opportunity to come before the Board and introduced staff accompanying him. Dot Harris serves as General Counsel for the COT; Chris Clark is in charge of Enterprise Architecture and Standards; and Gary Rue is in charge of the Office of Consulting and Program Management.

Commissioner Inman stated that COT - formerly known as the Governor's Office of Technology - is now part of the Finance and Administration Cabinet. Its mission is to be a service organization to the rest of state government. Changes since the move to Finance have included merging COT's administrative and human resources offices with those of the cabinet, and taking over IT responsibilities for the Finance Cabinet and the Revenue Cabinet (which is also now a part of the Finance Cabinet).

Commissioner Inman said COT's five point strategic vision is as follows: to take an enterprise approach to information technology, to provide information technology as a service, to establish an enterprise architecture and standards, to assist and promote technology in educational systems in Kentucky, and to promote Kentucky in the new economy. He said this vision reflects the growing expectation that government services will be delivered online and helps to get more value out of IT by reducing or reallocating staffing, pooling resources for enterprise application development, and bulk purchasing of hardware and licensing of software .

Commissioner Inman said COT's key drivers are to reduce costs, enhance security, and improve service. As an example, he noted that many applications and services today require an authoritative source of personnel data. Duplicating such data at both COT and the Personnel Cabinet is a waste of resources and contrary to the principle of enterprise architecture. COT's efforts are focused in three areas: data/infrastructure consolidation, project oversight and review, and service delivery.

Relative to security, Commissioner Inman said COT's approach is to take an enterprise view of potential vulnerabilities, infrastructure and solutions; to consolidate applications, servers and infrastructure to ensure availability, quality of services and protection of resources; and to have architecture that provides a secure framework for solutions and infrastructure.

Addressing the capital planning process, Commissioner Inman said COT is implementing a more robust review process for capital projects. Objectives are to map all capital projects to the Governor's priorities, to ensure that projects with enterprise impact receive the proper review and consideration, and to evaluate projects against the

established standards and against the principles of enterprise architecture and data management. Commissioner Inman said his predecessor had proposed raising, from \$400,000 to \$1 million, the threshold for requiring budget authorization of IT projects. However, he said there is a need for more oversight of IT spending, and he would recommending lowering the threshold if that would not slow the process of acquiring needed systems. He also expressed the need for planning for lifecycle costs of projects.

Continuing to address capital planning, Commissioner Inman noted the importance and challenge of funding enterprise projects so there is cross-cabinet cooperation and duplication of data collection efforts is minimized. He also emphasize the importance of supporting the security imperative.

Commissioner Inman next discussed the Kentucky Early Warning System (KEWS). The KEWS microwave communications infrastructure consists of 144 towers that are placed at strategic locations around the Commonwealth. The system was deployed in 1982 and is used for a variety of applications and agencies including the Kentucky State Police, Kentucky Vehicle Enforcement, Kentucky Emergency Management, Kentucky Educational Television, and the National Weather Service as well as local agencies.

Commissioner Inman said KEWS currently uses an analog technology that cannot pass modern voice and data communications, and that is badly in need of being upgraded to digital technology. The upgrade will take about three years and can be done in phases without interrupting the current system. Three responses have been received to a Request for Information (RFI) for vendors/partners to upgrade, acquire and/or support the system. Commissioner Inman said selling the towers is not being considered. He said Kentucky has the framework upon which to build a first class public safety system, and the next step needs to be taken to convert it to a digital system.

Commissioner Inman thanked the Board for the opportunity to speak, then invited questions. In response to Senator Westwood's question, Commissioner Inman said at this time there is no federal Homeland Security funding available to help with the KEWS upgrade. Senator Westwood said interoperability is also a concern of the Kentucky Office of Homeland Security and needs to be addressed as soon as possible.

In response to Mr. True's question about Medicaid and its current management information system, Commissioner Inman said upgrading the systems used by Medicaid and other entitlement programs is a high priority since they are old systems that are difficult to upgrade and expensive to maintain.

Mr. Cowgill noted there are some very large IT projects that need to be undertaken in order to improve efficiency and the delivery of state services. He asked about using a combination of approaches to address these needs including government, private sector,

leasing, etc. Commissioner Inman said the systems that have become obsolete need to be addressed first. He also recommends using more commercial off-the-shelf software and doing less customization, which tends to increase the costs of upgrades since the free vendor supplied upgrades cannot be used. Finally, Commissioner Inman suggested more regionalization - that is, cooperating with other states in development efforts that can benefit all of the states involved.

Mr. Hintze said the Board has made maintenance of Kentucky's investments in construction a high priority over the years, and that a commitment also needs to be made to keeping our IT systems operating and up-to-date. He asked Commissioner Inman to give the Board some advice and recommendations on how to achieve this when the IT recommendations for the next six-year capital plan are presented.

Next on the agenda was a presentation on court projects planning and implementation by Melinda Wheeler, Director of the Administrative Office of the Courts (AOC), and Garlan Vanhook, AOC's General Manager Facilities.

Ms. Wheeler said the primary mission of AOC's Department of Court Facilities is to provide adequate facilities, furnishings, and equipment to support the delivery of court services to the citizens of Kentucky. The Court of Justice occupies approximately 300 facilities in all 120 counties for a total of 3.5 million square feet of space

Mr. Vanhook said a number of years ago there was no clear authority for the oversight of court projects, which are authorized by the General Assembly, funded through the Judicial Branch budget and undertaken by the counties. Because decisions were being made by agencies and persons who were inexperienced, many projects had incomplete programs and inaccurate cost estimates and had to request additional funding or extensions of bond terms.

Mr. Vanhook explained that in response to these problems, for projects authorized in the 1998-2000 budget, the General Assembly required AOC to adhere to National Center for State Courts guidelines. The 2000 General Assembly then passed House Bill (HB) 734 which directs that all court facilities capital projects comply with Kentucky standards and procedures. These standards were developed by AOC and implemented by the Chief Justice in October 2000. The four components of the Standards and Procedures Rule of Administrative Procedure, Part 10, are construction program development, court facilities criteria, design and construction standards, and facilities management. HB 734 also directed that all Kentucky courthouses be assessed, and their needs be prioritized by AOC as the basis for its capital planning efforts.

While the new standards and procedures have vastly improved the projects and established a higher level of accountability, Mr. Vanhook said they will need to be

modified to address programs, such as Drug Courts and Family Courts, that were not anticipated when standards were developed.

Mr. Vanhook also noted that the current project difficulties relate to rising costs associated with delays due to site procurement or development, contractor scheduling, or performance issues as well as increases in labor rates and construction materials costs. However, the number of requests for additional funding and the amounts of those increases have been significantly reduced compared to past years.

In response to Representative Crimm's question about the Robertson County courthouse, Mr. Vanhook explained that its needs do not require a completely new facility and an addition and improvements project for it is included in a proposed pool project (projects where the annual use allowance will be less than \$200,000).

Mr. Roach asked about the balance between the renovation of courthouses, which may have historical significance, and the construction of new judicial centers. Mr. Vanhook said it is a difficult issue, but sometimes the older facilities have deficiencies particularly regarding safety and security, or the county cannot fund its share of the cost of needed repairs. He said when a new facility is provided the deficiencies can be resolved and the state can handle the maintenance without having to depend on participation by the county in the funding. As such, the focus is on judicial centers serving all of the needs of the courts. He added that one way to address the older facilities has been through allowing counties to assess a court facility fee that can be spent on the existing facility.

Judge Wehr noted that Campbell County's current facility was built in 1875 and is being assessed to determine if an annex can be built, the building can be remodeled, or a combination of both can be done. He said local funding is being explored, and AOC has been working hard with the county to try to preserve the facility.

In response to Senator Westwood's question about the impact of materials cost increases, Mr. Vanhook said most of the authorized projects are already significantly underway, but five do have the potential to be affected. He said the contingency included in the project budgets should be adequate to allow them to remain within the authorized scope. Mr. Hintze said there is no question that, because of the materials cost increases, it is going to cost more in the future to construct projects that were planned in prior years. A recommendation on how those increases should be calculated will be forthcoming to CPAB staff.

In response to Representative Clark's question about maintenance of the court facilities, Mr. Vanhook said he manages the pool of funds used for minor projects (e.g., roof repairs). As the newer projects age, the demands on that pool will increase. However, the intent now is to construct buildings that have a longevity and lifecycle that

mitigates the necessity of repeated repairs and replacements. Senator Westwood noted that maintenance is generally less expensive than repairs, so providing proper maintenance can result in cost savings eventually .

Mr. Deckard expressed his appreciation for Mr. Vanhook's work. He said in the 1980s and 1990s there was little planning relative to the court projects that were authorized, but beginning in 1998 needed projects that will last 50 to 100 years have been provided. His only concern is that no court projects were authorized by the past two sessions of the General Assembly, and the counties for which they were proposed need them as much, if not more, than the counties that previously received projects. He said needs of the smaller counties need to be addressed just as those of the larger counties have been.

There being no further business, the meeting was adjourned.